596 178 1842 to the advent of the Communist regime is traceable to three major influences: (1) modern technology with its attendant factory system and modern business organization; (2) the new environment consisting of rapid transportation, modern government education, rural education organizations, and modern books and periodicals; and (3) the revolutionary political and social ferment which followed in the wake of the Western penetration of China. Change came first and most penetratingly in the ports, which were initially influenced by Western trade and later by the growth of native industry centered on those cities. The same influences also reached into the rural environs of the city ports in the decades before World War II. The great mass of the Chinese people -- the population of the traditional villages, towns, and cities in the interior -- felt the modern impact only in minor ways, if at all.

The first influence of modern technology in China came in the form of an influx of manufactured goods. Their availability at cheap prices changed the consumption and production habits of the family. Articles formerly made at home were bought with cash, necessitating new types of spare-time or full-time occupation removed from the family sphere.

596 491 198 361 Much more important in effecting a change in the old family pattern was the introduction of modern factory and business methods into China.

178 For one thing, it organized economic activity on
361 a non-family basis. Persons from rural areas
471 attracted to the city by the opportunity to earn
596 an independent income or the necessary supplement to the family's farm income were forced to make their homes near their jobs for at least a part of the year. Either permanently or temporarily they were removed from direct family control and subject to the new ideas associated with industrial society everywhere.

Another consequence of the factory and business system was a new criteria for employment. The efficiency operation of modern production and management required that personnel be hired on the basis of the possesion of such skills as a particular job demanded rather than on the old basis of personal or kin relationship to the owner or responsible management. The solidarity of blood relationship and the old employment function of kinship were prime resistants to the spread of modern business enterprise in China, but where the latter succeeded in establishing itself, it forced a fundamental break in the old Chinese familial process.

B. Influence of Modern Environment

871 In many places where the Chinese popula-
178 tion was sheltered from direct contact with
596 modern industrial life, an indirect influence was exerted by the environment. The modern curriculum taught in foreign missionary schools in the late nineteeth and twentieth centuries was approximated by the new government schools and

471

Industries in Szechwan, Kweichow, and Yunnan were financed in various ways. In Chungking, industries important to the war effort were built by the government itself; some textile plants were financed by government banks. Shipping, coal mining, power generating, and cement manufacturing were developed by local entrepreneurs with the help of funds from government banks. The Szechwan-Sikang Industrial Development Company was organized, with capital subscribed by the central and provincial governments, to promote industry in the two provinces; it succeeded in establishing a few enterprises. In Kweichow Province, officials organized the Kweichow Enterprise Corporation, a holding company financed by the Kweichow provincial government, the Ministry of Economic Affairs of the Central Government, government banks, and local private interests. With its own capital or with the participation of private capital, it promoted 24 enterprises, including machine-manufacturing, chemical-manufacturing, tobacco-processing, flour-milling, the manufacture of electrical products and matches, and other light industries; it also controlled the provincial bank and a department store.

In Yunnan, the Yunnan Provincial Bank controlled the tin mining industry, the most important industry in the province, and a textile mill. The bank also promoted several other industries, with the participation of private capital. All of these industries were brought under the Yunnan People's Enterprise Corporation, a holding

company, which was indirectly controlled by the *Yunnan Provincial Bank. A few industries were* built with the help of local "semi-public" banks. There was only one large private industry, the Yun Mow Cotton Textile Mill, established by a commercial firm of long standing with extensive holdings in Burma. 471 •

Government-financed industries were easy prey to the Communists when they took over control of this region. In Chungking, the Communists simply assumed command of all the industries operated by the Central Government and the government banks as well as those industries supplied with government credits. The three holding companies in the Southwest Region also came under Communist control. In one stroke, all the major industries in Southwest China fell into Communist hands.

In addition to extending control over the remaining private operated industries by confiscating the shares owned by "bureaucrats" and "reactionaries," the Communists sought to win the support of prominent businessmen by offering them various positions with the local government, commending them as "progressive elements" within the community, and offering other inducements of a similar nature. The intention was to force acceptance of government participation in business. In this way the number of joint state-private enterprises was increased. The following examples will illustrate the Communist program.

• 471 The Min Sheng Industrial Company in Chungking, a shipping enterprise with a large fleet of river boats, an ironworks, and shipbuilding and machine shops, was noted for its services to the government during the war. The founder and general manager of the company, Lu Tso-fu, was invited by the Communists to return to Mainland China from Hong Kong. He was assured that the Communist regime favored the continuation of his enterprises and would assist him whenever possible. Upon his return, he was appointed a member of the Chinese People's Political Consultative Conference. When the Min Sheng Company was pressed for the payment of interest due on the credit extended by Canadians who had helped the company finance the construction of a number of vessels in Canada, the Communists facilitated the necessary payments. However, in 1952 the Min Sheng Company was transformed into a joint-state-private enterprise only a short time after the announcement of Lu's suicide. Why he chose to kill himself is not known, although it will be suspected that his relationship with the Communists was not as cordial as the Communists wished it to seem.

Hu Tzu-ang, an infuential local businessman and general manager of the Szechwan-Sikang Industrial Development Company, was appointed a member of the Chinese People's Political Consultative Conference and a member of the Finance and Economic Committee of the People's Government; he was also made deputy-mayor of Chungking Municipality. He has been used by the regime

471 to influence private factories to accept state orders for the processing and manufacturing of goods -- one step in the process of transforming private industry into joint state-private enterprise.

Wang Shao-yen, the brother of the general manager of the Yun Mow Cotton Mill in Kunming and its largest shareholder, was appointed deputy-chairman of the Yunnan Provincial Government while living in Hong Kong. A native of Yunnan, he has been used to win for the Communists the support of local businessmen as well as of community leaders. The Yun Mow Cotton Mill was transformed into a joint state-private enterprise in 1954.

The Min Sheng Company and the Yun Mow Cotton Mill were able to pay dividends to their shareholders after being transformed from private to joint ownership, but persons receiving payments were required to subscribe 90 per cent of their dividends for government bonds. Although Tung Shao-sheng, chief assistant to Lu Tso-fu, was appointed assistant general manager of the Min Sheng Company, actual direction of the company rests in the hands of a manager appointed by the Communists.

Among the few remaining industries under private ownership were some twenty cotton textile mills, with a total of 217,000 spindles, which had been built in Szechwan during the war. Two of these mills had been financed by the Bank of China. When the Communists reorganized the Bank of China, these two mills were taken over

471 immediately by the Communists, and the remaining privately owned mills were in process of transformation during 1954. In all, there were 32 joint state-private enterprises in Chungking; their output in 1954 was reported to constitute over 43 per cent of the total value of all large-scale production by private industry and to account for more than 30 varieties of products.[1] About 130 enterprises were reported to have been transformed in Szechwan Province in 1954, not including those in Chungking.[2]

During 1953-54, about 30 enterprises in Yunnan Province were transformed.[3] With the exception of the Yun Mow Cotton Mill, they were all small factories producing cheap consumer goods.

In Kweichow Province, the Communist regime assumed control of all enterprises operated by the Kweichow Enterprise Corporation, but there were few other industries in the province worth the Communists' immediate attention.

The rapid transformation of private commerce in the Southwest Region can be illustrated by reports from Chungking. According to the mayor of Chungking, wholesale butchers and four classes of dealers in grain, cotton and silk piece goods, oil and wax goods, and firewood, coal, and charcoal were taken over by the state's commercial agencies.[4] Exporters of native products

1. Chungking Jih-pao [ChungkingDaily], Dec. 27,1954. 2. Ibid.
3. Jen-min Jih-pao [People's Daily], Peking, June 6, 1954.
4. Chungking Daily, Jan. 13, 1955.

471 and dealers in hardware and electrical appliances, general goods, stationery, pharmaceuticals, dyestuffs, and Chinese medicines were temporarily allowed to carry on their businesses or were asked to do wholesale business on behalf of the state agencies. Some were persuaded to turn to retail trade or were given assistance in changing to other lines of business.

In the sphere of retail trade, the mayor's report stated that all private grain shops had been transformed into state agents in the course of carrying out the program for unified grain purchasing and marketing. In addition, 1,094 retail shops and 160 stall-keepers dealing in cotton cloth, sugar, edible vegetable oils, and dyestuffs were drawn into the orbit of "state capitalism." They were forced to stock goods furnished by state agencies on a consignment basis.

In order to accelerate the transformation of private industry and commerce, a conference of the All-China Federation of Industry and Commerce was held in November 1955.[5] A message addressed to industrial and commercial circles asking for the acceptance of "socialist transformation" reported that more than 80 per cent of private industry, figured in terms of total value of production, was then in process of becoming joint state-private enterprise, and more than 50 per cent of the private retail merchants had become agents of "state capitalist" commerce by November 1955. This statement on national conditions is the

---

5. New China News Agency, Nov. 21, 1955.

471 best indication we have on the extent of present over-all "socialist transformation" in Southwest China.